



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2004
OF THE CONDITION AND AFFAIRS OF THE

Priority Health Government Programs

| | | | | | | |
|---------------------------------------|---|----------------|---|--|---------------------------------------|------------|
| NAIC Group Code | 3383 | 3383 | NAIC Company Code | 11520 | Employer's ID Number | 32-0016523 |
| | (Current Period) | (Prior Period) | | | | |
| Organized under the Laws of | Michigan | | | State of Domicile or Port of Entry | Michigan | |
| Country of Domicile | United States of America | | | | | |
| Licensed as business type: | Life, Accident & Health [] | | Property/Casualty [] | | Dental Service Corporation [] | |
| | Vision Service Corporation [] | | Other [] | | Health Maintenance Organization [X] | |
| | Hospital, Medical & Dental Service or Indemnity [] | | Is HMO, Federally Qualified? Yes [] No [X] | | | |
| Incorporated | 06/03/2002 | | Commenced Business | 10/01/2002 | | |
| Statutory Home Office | 1231 East Beltline NE | | | Grand Rapids, MI 49525-4501 | | |
| | (Street and Number) | | | (City or Town, State and Zip Code) | | |
| Main Administrative Office | 1231 East Beltline | | | 616-464-8325 | | |
| | (Street and Number) | | | (Area Code) (Telephone Number) | | |
| | Grand Rapids, MI 49525-4501 | | | (City or Town, State and Zip Code) | | |
| Mail Address | 1231 East Beltline NE | | | Grand Rapids, MI 49525-4501 | | |
| | (Street and Number or P.O. Box) | | | (City or Town, State and Zip Code) | | |
| Primary Location of Books and Records | 1231 East Beltline | | | 616-464-8235 | | |
| | (Street and Number) | | | (Area Code) (Telephone Number) | | |
| | Grand Rapids, MI 49525-4501 | | | (City or Town, State and Zip Code) | | |
| Internet Website Address | www.priority-health.com | | | | | |
| Statutory Statement Contact | Malcolm Hall | | | 616-464-8235 | | |
| | (Name) | | | (Area Code) (Telephone Number) (Extension) | | |
| | malcolm.hall@priority-health.com | | | 616-942-7916 | | |
| | (E-mail Address) | | | (FAX Number) | | |
| Policyowner Relations Contact | | | | | | |
| | (Street and Number) | | | | | |
| | (City or Town, State and Zip Code) | | | | | |
| | (Area Code) (Telephone Number) (Extension) | | | | | |

OFFICERS

| Name | Title | Name | Title |
|-----------------|-------------------------|-------------------|-----------|
| Kimberly K Horn | Chief Executive Officer | Judith W Hooyenga | Secretary |
| Dennis J Reese | Chief Financial Officer | | |

OTHER OFFICERS

DIRECTORS OR TRUSTEES

| | | |
|----------------|---------------|----------------|
| Lenore Pickett | James F Byrne | Guy S Gauthier |
|----------------|---------------|----------------|

State ofMichigan.....
County ofKent.....

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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

| | | |
|--|---|---|
| Kimberly K Horn Chief Executive Officer | Judith W Hooyenga Secretary | Dennis J Reese Chief Financial Officer |
| Subscribed and sworn to before me this 28th day of February, 2005 | a. Is this an original filing? Yes [X] No [] b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached | 03/01/2005 |
| Cheryl Britcher Executive Administrative Assistant 12/30/2005 | | |

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

[illegible]

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EXHIBIT 3 - HEALTH CARE RECEIVABLES

[illegible]

EXHIBIT 4 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

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ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

EXHIBIT 7 PART 1- SUMMARY OF TRANSACTIONS WITH PROVIDERS

| Payment Method | 1 Direct Medical Expense Payment | 2 Column 1 as a % of Total | 3 Total Members Covered | 4 Column 3 as a % of Total | 5 Column 1 Expenses Paid to Affiliated Providers | 6 Column 1 Expenses Paid to Non-Affiliated Providers |
|---|---|-------------------------------------|----------------------------------|-------------------------------------|---|---|
| Capitation Payments: | | | | | | |
| 1. Medical groups | .0 | .0 0 | | .0 0 | | |
| 2. Intermediaries | .0 | .0 0 | | .0 0 | | |
| 3. All other providers | 18,566,992 | 37.5 | | .0 0 | 18,566,992 | |
| 4. Total capitation payments | 18,566,992 | 37.5 | .0 | .0 0 | 18,566,992 | .0 |
| Other Payments: | | | | | | |
| 5. Fee-for-service | 4,618,612 | 9.3 | XXX | XXX | | 4,618,612 |
| 6. Contractual fee payments | .0 | .0 0 | XXX | XXX | | |
| 7. Bonus/withhold arrangements - fee-for-service | .0 | .0 0 | XXX | XXX | | |
| 8. Bonus/withhold arrangements - contractual fee payments | 26,282,033 | 53.1 | XXX | XXX | 26,282,033 | |
| 9. Non-contingent salaries | .0 | .0 0 | XXX | XXX | | |
| 10. Aggregate cost arrangements | .0 | .0 0 | XXX | XXX | | |
| 11. All other payments | .0 | .0 0 | XXX | XXX | | |
| 12. Total other payments | 30,900,645 | 62.5 | XXX | XXX | 26,282,033 | 4,618,612 |
| 13. TOTAL (Line 4 plus Line 12) | 49,467,637 | 100 % | XXX | XXX | 44,849,025 | 4,618,612 |

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

[illegible]

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

| Description | 1 | 2 | 3 | 4 | 5 | 6 |
|--|------|--------------|--------------------------|------------------------------|---------------------|---------------------|
| | Cost | Improvements | Accumulated Depreciation | Book Value Less Encumbrances | Assets Not Admitted | Net Admitted Assets |
| 1. Administrative furniture and equipment | NONE | | | | | |
| 2. Medical furniture, equipment and fixtures | | | | | | |
| 3. Pharmaceuticals and surgical supplies | | | | | | |
| 4. Durable medical equipment | | | | | | |
| 5. Other property and equipment | | | | | | |
| 6. Total | 0 | 0 | 0 | 0 | 0 | 0 |



ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION Priority Health Government Programs 2. _____ (LOCATION)

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|------------|---------------------------------------|-------|------------------------|----------------|----------------|--|-------------------------|-----------------------|--------------|----------------------|-------------------|-----------|
| | | 2 | 3 | | | | | | | | | | |
| | | Individual | Group | | | | | | | | | | |
| | Total | | | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| Total Members at end of: | | | | | | | | | | | | | |
| 1. Prior Year | 29,072 | | | | | | | | 28,019 | | | | 1,053 |
| 2. First Quarter | 30,976 | | | | | | | | 29,909 | | | | 1,067 |
| 3. Second Quarter | 33,246 | | | | | | | | 32,185 | | | | 1,061 |
| 4. Third Quarter | 33,862 | | | | | | | | 32,786 | | | | 1,076 |
| 5. Current Year | 37,630 | | | | | | | | 36,533 | | | | 1,097 |
| 6. Current Year Member Months | 398,144 | | | | | | | | 385,326 | | | | 12,818 |
| Total Member Ambulatory Encounters for Year: | | | | | | | | | | | | | |
| 7. Physician | 230,747 | | | | | | | | 226,583 | | | | 4,164 |
| 8. Non-Physician | 6,257 | | | | | | | | 6,144 | | | | 113 |
| 9. Total | 237,004 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 232,727 | 0 | 0 | 0 | 4,277 |
| 10. Hospital Patient Days Incurred | 9,344 | | | | | | | | 9,309 | | | | 35 |
| 11. Number of Inpatient Admissions | 2,658 | | | | | | | | 2,640 | | | | 18 |
| 12. Health Premiums Written | 58,462,627 | | | | | | | | 57,457,001 | | | | 1,005,626 |
| 13. Life Premiums Direct | 0 | | | | | | | | | | | | |
| 14. Property/Casualty Premiums Written | 0 | | | | | | | | | | | | |
| 15. Health Premiums Earned | 58,462,627 | | | | | | | | 57,457,001 | | | | 1,005,626 |
| 16. Property/Casualty Premiums Earned | 0 | | | | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | 49,467,637 | | | | | | | | 48,588,479 | | | | 879,158 |
| 18. Amount Incurred for Provision of Health Care Services | 50,861,773 | | | | | | | | 49,982,615 | | | | 879,158 |

(a) For health business: number of persons insured under PPO managed care products _____ and number of persons under indemnity only products _____

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ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Priority Health Government Programs

2. (LOCATION)

| NAIC Group Code 3383 | | BUSINESS IN THE STATE OF Consolidated | | | DURING THE YEAR 2004 | | | | | | NAIC Company Code 11520 | | | |
|---|--|---------------------------------------|---------------------------------------|-------|------------------------|----------------|----------------|--|-------------------------|-----------------------|-------------------------|----------------------|-------------------|-----------|
| | | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | | 2 | 3 | | | | | | | | | | |
| | | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| Total Members at end of: | | | | | | | | | | | | | | |
| 1. Prior Year | | 29,072 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28,019 | 0 | 0 | 0 | 1,053 |
| 2. First Quarter | | 30,976 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 29,909 | 0 | 0 | 0 | 1,067 |
| 3. Second Quarter | | 33,246 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,185 | 0 | 0 | 0 | 1,061 |
| 4. Third Quarter | | 33,862 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 32,786 | 0 | 0 | 0 | 1,076 |
| 5. Current Year | | 37,630 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 36,533 | 0 | 0 | 0 | 1,097 |
| 6. Current Year Member Months | | 398,144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 385,326 | 0 | 0 | 0 | 12,818 |
| Total Member Ambulatory Encounters for Year: | | | | | | | | | | | | | | |
| 7. Physician | | 230,747 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 226,583 | 0 | 0 | 0 | 4,164 |
| 8. Non-Physician | | 6,257 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,144 | 0 | 0 | 0 | 113 |
| 9. Total | | 237,004 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 232,727 | 0 | 0 | 0 | 4,277 |
| 10. Hospital Patient Days Incurred | | 9,344 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,309 | 0 | 0 | 0 | 35 |
| 11. Number of Inpatient Admissions | | 2,658 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,640 | 0 | 0 | 0 | 18 |
| 12. Health Premiums Written..... | | 58,462,627 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 57,457,001 | 0 | 0 | 0 | 1,005,626 |
| 13. Life Premiums Direct..... | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. Property/Casualty Premiums Written..... | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. Health Premiums Earned..... | | 58,462,627 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 57,457,001 | 0 | 0 | 0 | 1,005,626 |
| 16. Property/Casualty Premiums Earned..... | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17. Amount Paid for Provision of Health Care Services | | 49,467,637 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 48,588,479 | 0 | 0 | 0 | 879,158 |
| 18. Amount Incurred for Provision of Health Care Services | | 50,861,773 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 49,982,615 | 0 | 0 | 0 | 879,158 |

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

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SCHEDULE A - VERIFICATION BETWEEN YEARS

| | |
|---|---|
| 1. Book/adjusted carrying value, December 31, prior year (prior year statement)..... | 0 |
| 2. Increase (decrease) by adjustment: | |
| 2.1 Totals, Part 1, Column 11 | 0 |
| 2.2 Totals, Part 3, Column 7 | 0 |
| 3. Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9) | 0 |
| 4. Cost of additions and permanent improvements: | |
| 4.1 Totals, Part 1, Column 14..... | 0 |
| 4.2 Totals, Part 3, Column 9 | 0 |
| 5. Total profit (loss) on sales, Part 3, Column 14 | 0 |
| 6. Increase (decrease) by foreign exchange adjustment: | |
| 6.1 Totals, Part 1, Column 12..... | 0 |
| 6.2 Totals, Part 3, Column 8 | 0 |
| 7. Amounts received on sales, Part 3, Column 11 and Part 1, Column 13 | 0 |
| 8. Book/adjusted carrying value at end of current period | 0 |
| 9. Total valuation allowance | |
| 10. Subtotal (Lines 8 plus 9) | 0 |
| 11. Total nonadmitted amounts | |
| 12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) | 0 |

SCHEDULE B - VERIFICATION BETWEEN YEARS

| | |
|---|---|
| 1. Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year | 0 |
| 2. Amount loaned during year: | |
| 2.1 Actual cost at time of acquisitions | |
| 2.2 Additional investment made after acquisitions | 0 |
| 3. Accrual of discount and mortgage interest points and commitment fees | |
| 4. Increase (decrease) by adjustment | |
| 5. Total profit (loss) on sale | |
| 6. Amounts paid on account or in full during the year | |
| 7. Amortization of premium | |
| 8. Increase (decrease) by foreign exchange adjustment | |
| 9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period | 0 |
| 10. Total valuation allowance | |
| 11. Subtotal (Lines 9 plus 10) | 0 |
| 12. Total nonadmitted amounts | |
| 13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)..... | 0 |

SCHEDULE BA - VERIFICATION BETWEEN YEARS

| | |
|---|---|
| 1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year | 0 |
| 2. Cost of acquisitions during year: | |
| 2.1 Actual cost at time of acquisitions | |
| 2.2 Additional investment made after acquisitions | 0 |
| 3. Accrual of discount | |
| 4. Increase (decrease) by adjustment | |
| 5. Total profit (loss) on sale | |
| 6. Amounts paid on account or in full during the year | |
| 7. Amortization of premium | |
| 8. Increase (decrease) by foreign exchange adjustment | |
| 9. Book/adjusted carrying value of long-term invested assets at end of current period | 0 |
| 10. Total valuation allowance | |
| 11. Subtotal (Lines 9 plus 10) | 0 |
| 12. Total nonadmitted amounts | |
| 13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)..... | 0 |

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| 1. U.S. Governments, Schedules D & DA (Group 1) | | | | | | | | | | | |
| 1.1 Class 1 | 1,021,156 | | | | | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | |
| 1.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 1.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 1.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 1.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 1.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 1.7 Totals | 1,021,156 | 0 | 0 | 0 | 0 | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | 0 |
| 2. All Other Governments, Schedules D & DA (Group 2) | | | | | | | | | | | |
| 2.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 2.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3) | | | | | | | | | | | |
| 3.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 3.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4) | | | | | | | | | | | |
| 4.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 4.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5) | | | | | | | | | | | |
| 5.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 5.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating per the NAIC Designation | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|
| 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) | | | | | | | | | | | |
| 6.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 6.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 6.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 6.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 6.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 6.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 6.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) | | | | | | | | | | | |
| 7.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 7.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 7.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 7.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 7.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 7.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 7.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 8. Credit Tenant Loans, Schedules D & DA (Group 8) | | | | | | | | | | | |
| 8.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 8.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 8.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 8.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 8.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 8.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 8.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9) | | | | | | | | | | | |
| 9.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 9.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 9.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 9.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 9.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 9.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 9.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--|----------------|-----------------------------|-------------------------------|--------------------------------|---------------|--------------------|----------------------------|------------------------------|--------------------------|-----------------------|----------------------------|
| Quality Rating per the NAIC Designation | 1 Year or Less | Over 1 Year Through 5 Years | Over 5 Years Through 10 Years | Over 10 Years Through 20 Years | Over 20 Years | Total Current Year | Col. 6 as a % of Line 10.7 | Total from Col. 6 Prior Year | % From Col. 7 Prior Year | Total Publicly Traded | Total Privately Placed (a) |
| 10. Total Bonds Current Year | | | | | | | | | | | |
| 10.1 Class 1 | 1,021,156 | .0 | .0 | .0 | .0 | 1,021,156 | 100.0 | XXX | XXX | 1,021,156 | .0 |
| 10.2 Class 2 | .0 | .0 | .0 | .0 | .0 | .0 | 0.0 | XXX | XXX | .0 | .0 |
| 10.3 Class 3 | .0 | .0 | .0 | .0 | .0 | .0 | 0.0 | XXX | XXX | .0 | .0 |
| 10.4 Class 4 | .0 | .0 | .0 | .0 | .0 | .0 | 0.0 | XXX | XXX | .0 | .0 |
| 10.5 Class 5 | .0 | .0 | .0 | .0 | .0 | (c) .0 | 0.0 | XXX | XXX | .0 | .0 |
| 10.6 Class 6 | .0 | .0 | .0 | .0 | .0 | (c) .0 | 0.0 | XXX | XXX | .0 | .0 |
| 10.7 Totals | 1,021,156 | .0 | .0 | .0 | .0 | (b) 1,021,156 | 100.0 | XXX | XXX | 1,021,156 | .0 |
| 10.8 Line 10.7 as a % of Col. 6 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | 0.0 |
| 11. Total Bonds Prior Year | | | | | | | | | | | |
| 11.1 Class 1 | .0 | 1,023,398 | .0 | .0 | .0 | XXX | XXX | 1,023,398 | 100.0 | 1,023,398 | .0 |
| 11.2 Class 2 | .0 | .0 | .0 | .0 | .0 | XXX | XXX | .0 | 0.0 | .0 | .0 |
| 11.3 Class 3 | .0 | .0 | .0 | .0 | .0 | XXX | XXX | .0 | 0.0 | .0 | .0 |
| 11.4 Class 4 | .0 | .0 | .0 | .0 | .0 | XXX | XXX | .0 | 0.0 | .0 | .0 |
| 11.5 Class 5 | .0 | .0 | .0 | .0 | .0 | XXX | XXX | (c) .0 | 0.0 | .0 | .0 |
| 11.6 Class 6 | .0 | .0 | .0 | .0 | .0 | XXX | XXX | (c) .0 | 0.0 | .0 | .0 |
| 11.7 Totals | .0 | 1,023,398 | .0 | .0 | .0 | XXX | XXX | (b) 1,023,398 | 100.0 | 1,023,398 | .0 |
| 11.8 Line 11.7 as a % of Col. 8 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | 100.0 | XXX | 100.0 | 0.0 |
| 12. Total Publicly Traded Bonds | | | | | | | | | | | |
| 12.1 Class 1 | 1,021,156 | | | | | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | XXX |
| 12.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | .0 | XXX |
| 12.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | .0 | XXX |
| 12.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | .0 | XXX |
| 12.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | .0 | XXX |
| 12.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | 0 | XXX |
| 12.7 Totals | 1,021,156 | .0 | .0 | .0 | .0 | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | XXX |
| 12.8 Line 12.7 as a % of Col. 6 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | XXX |
| 12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | XXX |
| 13. Total Privately Placed Bonds | | | | | | | | | | | |
| 13.1 Class 1 | | | | | | .0 | 0.0 | .0 | 0.0 | XXX | .0 |
| 13.2 Class 2 | | | | | | .0 | 0.0 | .0 | 0.0 | XXX | .0 |
| 13.3 Class 3 | | | | | | .0 | 0.0 | .0 | 0.0 | XXX | .0 |
| 13.4 Class 4 | | | | | | .0 | 0.0 | .0 | 0.0 | XXX | .0 |
| 13.5 Class 5 | | | | | | .0 | 0.0 | .0 | 0.0 | XXX | .0 |
| 13.6 Class 6 | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| 13.7 Totals | .0 | .0 | .0 | .0 | .0 | .0 | 0.0 | .0 | 0.0 | XXX | .0 |
| 13.8 Line 13.7 as a % of Col. 6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |
| 13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |

(a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes \$ current year, \$ prior year of bonds with Z designations and \$, current year, \$ prior year of bonds with Z* designations. The letter “Z” means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. “Z*” means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

(c) Includes \$ current year, \$ prior year of bonds with 5* designations and \$, current year, \$ prior year of bonds with 6* designations. “5*” means the NAIC designation was assigned by the SVO in reliance on the insurer’s certification that the issuer is current in all principal and interest payments. “6*” means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|-------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 1. U.S. Governments, Schedules D & DA (Group 1) | | | | | | | | | | | |
| 1.1 Issuer Obligations | 1,021,156 | | | | | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | |
| 1.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 1.7 Totals | 1,021,156 | 0 | 0 | 0 | 0 | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | 0 |
| 2. All Other Governments, Schedules D & DA (Group 2) | | | | | | | | | | | |
| 2.1 Issuer Obligations | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 2.3 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.4 Other | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 2.5 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 2.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 2.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3) | | | | | | | | | | | |
| 3.1 Issuer Obligations | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 3.3 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.4 Other | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 3.5 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 3.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 3.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4) | | | | | | | | | | | |
| 4.1 Issuer Obligations | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 4.3 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.4 Other | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 4.5 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 4.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 4.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5) | | | | | | | | | | | |
| 5.1 Issuer Obligations | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 5.3 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.4 Other | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES | | | | | | | | | | | |
| 5.5 Defined | | | | | | .0 | 0.0 | .0 | 0.0 | | |
| 5.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 5.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total from Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|---|---------------------|-------------------------------------|---------------------------------------|--|--------------------|-------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) | | | | | | | | | | | |
| 6.1 Issuer Obligations | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 6.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES | | | | | | | | | | | |
| 6.3 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 6.4 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 6.5 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 6.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 6.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) | | | | | | | | | | | |
| 7.1 Issuer Obligations | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 7.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES | | | | | | | | | | | |
| 7.3 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 7.4 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 7.5 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 7.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 7.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 8. Credit Tenant Loans, Schedules D & DA (Group 8) | | | | | | | | | | | |
| 8.1 Issuer Obligations | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 8.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9) | | | | | | | | | | | |
| 9.1 Issuer Obligations | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 9.2 Single Class Mortgage-Backed/Asset-Based Securities | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES | | | | | | | | | | | |
| 9.3 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 9.4 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 9.5 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 9.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | | |
| 9.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

| Distribution by Type | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Col. 6 as a % of Line 10.7 | 8 Total From Col. 6 Prior Year | 9 % From Col. 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|--|---------------------|-------------------------------------|---------------------------------------|--|--------------------|----------------------------|------------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------------------------------|
| 10. Total Bonds Current Year | | | | | | | | | | | |
| 10.1 Issuer Obligations | 1,021,156 | 0 | 0 | 0 | 0 | 1,021,156 | 100.0 | XXX | XXX | 1,021,156 | 0 |
| 10.2 Single Class Mortgage-Backed/Asset-Backed Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 10.3 Defined | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.4 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 10.5 Defined | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.6 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | XXX | XXX | 0 | 0 |
| 10.7 Totals | 1,021,156 | 0 | 0 | 0 | 0 | 1,021,156 | 100.0 | XXX | XXX | 1,021,156 | 0 |
| 10.8 Line 10.7 as a % of Col. 6 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | 0.0 |
| 11. Total Bonds Prior Year | | | | | | | | | | | |
| 11.1 Issuer Obligations | 0 | 1,023,398 | 0 | 0 | 0 | XXX | XXX | 1,023,398 | 100.0 | 1,023,398 | 0 |
| 11.2 Single Class Mortgage-Backed/Asset-Backed Securities | 0 | 0 | 0 | 0 | 0 | XXX | XXX | 0 | 0.0 | 0 | 0 |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 11.3 Defined | 0 | 0 | 0 | 0 | 0 | XXX | XXX | 0 | 0.0 | 0 | 0 |
| 11.4 Other | 0 | 0 | 0 | 0 | 0 | XXX | XXX | 0 | 0.0 | 0 | 0 |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 11.5 Defined | 0 | 0 | 0 | 0 | 0 | XXX | XXX | 0 | 0.0 | 0 | 0 |
| 11.6 Other | 0 | 0 | 0 | 0 | 0 | XXX | XXX | 0 | 0.0 | 0 | 0 |
| 11.7 Totals | 0 | 1,023,398 | 0 | 0 | 0 | XXX | XXX | 1,023,398 | 100.0 | 1,023,398 | 0 |
| 11.8 Line 11.7 as a % of Col. 8 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | 100.0 | XXX | 100.0 | 0.0 |
| 12. Total Publicly Traded Bonds | | | | | | | | | | | |
| 12.1 Issuer Obligations | 1,021,156 | | | | | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | XXX |
| 12.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | 0 | 0.0 | 0 | XXX |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 12.3 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | 0 | XXX |
| 12.4 Other | | | | | | 0 | 0.0 | 0 | 0.0 | 0 | XXX |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 12.5 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | 0 | XXX |
| 12.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | 0 | XXX |
| 12.7 Totals | 1,021,156 | 0 | 0 | 0 | 0 | 1,021,156 | 100.0 | 1,023,398 | 100.0 | 1,021,156 | XXX |
| 12.8 Line 12.7 as a % of Col. 6 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | XXX |
| 12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | XXX | XXX | XXX | 100.0 | XXX |
| 13. Total Privately Placed Bonds | | | | | | | | | | | |
| 13.1 Issuer Obligations | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| 13.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | | | | | | | | | |
| 13.3 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| 13.4 Other | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES | | | | | | | | | | | |
| 13.5 Defined | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| 13.6 Other | | | | | | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| 13.7 Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | 0 | 0.0 | XXX | 0 |
| 13.8 Line 13.7 as a % of Col. 6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |
| 13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | XXX | XXX | XXX | XXX | 0.0 |

SCHEDULE DA - PART 2

| Verification of SHORT-TERM INVESTMENTS Between Years | | | | | |
|---|-----------|-----------|----------------|--|---|
| | 1 | 2 | 3 | 4 | 5 |
| | Total | Bonds | Mortgage Loans | Other Short-term Investment Assets(a) | Investments in Parent, Subsidiaries and Affiliates |
| 1. Book/adjusted carrying value, prior year | 0 | 0 | 0 | 0 | 0 |
| 2. Cost of short-term investments acquired | 1,021,156 | 1,021,156 | | | |
| 3. Increase (decrease) by adjustment | 0 | | | | |
| 4. Increase (decrease) by foreign exchange adjustment | 0 | | | | |
| 5. Total profit (loss) on disposal of short-term investments | 0 | | | | |
| 6. Consideration received on disposal of short-term investments | 0 | | | | |
| 7. Book/adjusted carrying value, current year | 1,021,156 | 1,021,156 | 0 | 0 | 0 |
| 8. Total valuation allowance | 0 | | | | |
| 9. Subtotal (Lines 7 plus 8) | 1,021,156 | 1,021,156 | 0 | 0 | 0 |
| 10. Total nonadmitted amounts | 0 | | | | |
| 11. Statement value (Lines 9 minus 10) | 1,021,156 | 1,021,156 | 0 | 0 | 0 |
| 12. Income collected during year | 0 | | | | |
| 13. Income earned during year | 0 | | | | |

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

Schedule DB - Part A - VBY
NONE

Schedule DB - Part B - VBY
NONE

Schedule DB - Part C - VBY
NONE

Schedule DB - Part D - VBY
NONE

Schedule DB - Part E - VBY
NONE

Schedule DB - Part F - Section 1
NONE

Schedule DB - Part F - Section 2
NONE

Schedule S - Part 1 - Section 2
NONE

Schedule S - Part 2
NONE

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ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE S - PART 4

Reinsurance Ceded to Unauthorized Companies

[illegible]

Schedule S-Part 5
Five-Year Exhibit of Reinsurance Ceded Business
(000 Omitted)

| | 1 2004 | 2 2003 | 3 2002 | 4 2001 | 5 2000 |
|--|-----------|-----------|-----------|-----------|-----------|
| A. OPERATIONS ITEMS | | | | | |
| 1. Premiums..... | 2 | 3 | 1 | 0 | 0 |
| 2. Title XVIII-Medicare..... | 0 | 0 | 0 | 0 | 0 |
| 3. Title XIX-Medicaid..... | 116 | 109 | 19 | 0 | 0 |
| 4. Commissions and reinsurance expense allowance..... | | 0 | 0 | 0 | 0 |
| 5. Total hospital and medical expenses..... | | 0 | 0 | 0 | 0 |
| B. BALANCE SHEET ITEMS | | | | | |
| 6. Premiums receivable | | 0 | 0 | 0 | 0 |
| 7. Claims payable..... | | 0 | 0 | 0 | 0 |
| 8. Reinsurance recoverable on paid losses..... | 0 | 0 | 0 | 0 | 0 |
| 9. Experience rating refunds due or unpaid..... | | 0 | 0 | 0 | 0 |
| 10. Commissions and reinsurance expense allowances unpaid..... | | 0 | 0 | 0 | 0 |
| 11. Unauthorized reinsurance offset..... | 0 | 0 | 0 | 0 | 0 |
| C. UNAUTHORIZED REINSURANCE (DEPOSITS BY AND FUNDS WITHHELD FROM) | | | | | |
| 12. Funds deposited by and withheld from (F)..... | 0 | 0 | 0 | 0 | 0 |
| 13. Letters of credit (L)..... | 0 | 0 | 0 | 0 | 0 |
| 14. Trust agreements (T)..... | 0 | 0 | 0 | 0 | 0 |
| 15. Other (O) | 0 | 0 | 0 | 0 | 0 |

SCHEDULE S-PART 6
Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

| | 1 | 2 | 3 |
|--|-------------------------------|----------------------------|------------------------------|
| | As Reported (net of ceded) | Restatement Adjustments | Restated (gross of ceded) |
| ASSETS (Page 2, Col. 3) | | | |
| 1. Cash and invested assets (Line 10) | 13,410,271 | | 13,410,271 |
| 2. Accident and health premiums due and unpaid (Line 12)..... | 130,531 | | 130,531 |
| 3. Amounts recoverable from reinsurers (Line 13.1)..... | 0 | | 0 |
| 4. Net credit for ceded reinsurance..... | XXX | 0 | 0 |
| 5. All other admitted assets (Balance)..... | 909,340 | | 909,340 |
| 6. Total assets (Line 26) | 14,450,142 | 0 | 14,450,142 |
| LIABILITIES, CAPITAL AND SURPLUS (Page 3) | | | |
| 7. Claims unpaid (Line 1)..... | 5,597,553 | 0 | 5,597,553 |
| 8. Accrued medical incentive pool and bonus payments (Line 2)..... | 513,297 | | 513,297 |
| 9. Premiums received in advance (Line 8)..... | 0 | | 0 |
| 10. Reinsurance in unauthorized companies (Line 18)..... | 0 | | 0 |
| 11. All other liabilities (Balance)..... | 959,407 | | 959,407 |
| 12. Total liabilities (Line 22)..... | 7,070,257 | 0 | 7,070,257 |
| 13. Total capital and surplus (Line 30)..... | 7,379,885 | XXX | 7,379,885 |
| 14. Total liabilities, capital and surplus (Line 31) | 14,450,142 | 0 | 14,450,142 |
| NET CREDIT FOR CEDED REINSURANCE | | | |
| 15. Claims unpaid..... | 0 | | |
| 16. Accrued medical incentive pool..... | 0 | | |
| 17. Premiums received in advance | 0 | | |
| 18. Reinsurance recoverable on paid losses | 0 | | |
| 19. Other ceded reinsurance recoverables | 0 | | |
| 20. Total ceded reinsurance recoverables | 0 | | |
| 21. Premiums receivable | 0 | | |
| 22. Unauthorized reinsurance | 0 | | |
| 23. Other ceded reinsurance payables/offsets | 0 | | |
| 24. Total ceded reinsurance payable/offsets | 0 | | |
| 25. Total net credit for ceded reinsurance | 0 | | |

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health Government Programs

SCHEDULE Y (continued)

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

[illegible]

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

1.

Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?.....

YES [☐] NO [☒]
2.

Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?.....

YES [☒] NO [☐]
3.

Will an actuarial certification be filed by March 1?.....

YES [☒] NO [☐]
4.

Will the Risk-based Capital Report be filed with the NAIC by March 1?.....

YES [☒] NO [☐]
5.

Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?.....

YES [☒] NO [☐]
6.

Will the Life Supplement be filed the state of domicile and the NAIC by March 1?

YES [☐] NO [☒]
7.

Will the Property/Casualty Supplement be filed the state of domicile and the NAIC by March 1?.....

YES [☐] NO [☒]

APRIL FILING

8.

Will Management's Discussion and Analysis be filed by April 1?.....

YES [☒] NO [☐]
9.

Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile by April 1?.....

YES [☐] NO [☒]
10.

Will the Investment Risks Interrogatories be filed by April 1?

YES [☒] NO [☐]

JUNE FILING

11.

Will an audited financial report be filed by June 1 with the state of domicile?

YES [☒] NO [☐]

EXPLANATIONS:

1. n/a

6. n/a

7. n/a

9. n/a

BAR CODE:

1.


1 1 5 2 0 2 0 0 4 3 6 0 5 8 0 0 0

6.


1 1 5 2 0 2 0 0 4 2 0 5 0 0 0 0 0

7.


1 1 5 2 0 2 0 0 4 2 0 7 0 0 0 0 0

9.


1 1 5 2 0 2 0 0 4 3 3 0 5 8 0 0 0

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